

SUMMARY

In this economic crisis, high unemployment and rising costs have put a strain on many American families. The American Recovery and Reinvestment Act contains a series of provisions to help, including tax relief for 95% of American workers, provisions to help workers train and find jobs, extend unemployment benefits, and increase food stamp benefits. Not only will these steps provide relief to American families, they will help jumpstart our economy as these funds are spent quickly and have the most bang for the buck in creating jobs and spurring economic growth.

TAX RELIEF PROVISIONS

“Making Work Pay” tax credit. The bill would cut taxes for more than 95% of working families in the United States. For 2009 and 2010, the bill would provide a refundable tax credit of up to \$400 for working individuals and \$800 for working families. This tax credit would be calculated at a rate of 6.2% of earned income, and would phase out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples filing jointly). Taxpayers can receive this benefit through a reduction in the amount of income tax that is withheld from their paychecks, or through claiming the credit on their tax returns. This proposal is estimated to cost \$116.199 billion over 10 years.

Approximately 4.9 million Pennsylvanian Taxpayers are Expected to Benefit from the “Making Work Pay Credit.”

Increase in earned income tax credit. The bill would temporarily increase the earned income tax credit for working families with three or more children. Under current law, working families with two or more children currently qualify for an earned income tax credit equal to forty percent (40%) of the family’s first \$12,570 of earned income. This credit is subject to a phase-out for working families with adjusted gross income in excess of \$16,420 (\$19,540 for married couples filing jointly). The bill would increase the earned income tax credit to forty-five percent (45%) of the family’s first \$12,570 of earned income for families with three or more children and would increase the beginning point of the phase-out range for all married couples filing a joint return (regardless of the number of children) by \$1,880. This proposal is estimated to cost \$4.663 billion over 10 years.

Increase eligibility for the refundable portion of child credit. The bill would increase the eligibility for the refundable child tax credit in 2009 and 2010. For 2008, the child tax credit is refundable to the extent of 15 percent of the taxpayer’s earned income in excess of \$8,500. The bill would reduce this floor for 2009 and 2010 to \$3,000. This proposal is estimated to cost \$14.830 billion over 10 years.

By expanding the child tax credit, the plan would provide a new tax cut for more approximately 6 million children, and increase the existing credit for approximately 10 million children.

“American Opportunity” education tax credit. The bill would provide financial assistance for individuals seeking a college education. For 2009 and 2010, the bill would provide taxpayers with a new “American Opportunity” tax credit of up to \$2,500 of the cost of tuition and related expenses paid during the taxable year. Under this new tax credit, taxpayers will receive a tax credit based on one hundred percent (100%) of the first \$2,000 of tuition and related expenses (including books) paid during the taxable year and twenty-five percent (25%) of the next \$2,000 of tuition and related expenses paid during the taxable year. Forty percent (40%) of the credit would be refundable. This tax credit will be subject to a phase-out for taxpayers with adjusted gross income in excess of \$80,000 (\$160,000 for married couples filing jointly). This proposal is estimated to cost \$13.907 billion over 10 years.

Benefits for Pennsylvania: 138,000 additional families in Pennsylvania will qualify for the new American Opportunity Tax Credit that makes college more affordable for 3.8 million families nationwide.

Helps more than 4 million additional students attend college with a new, \$2,500 tax credit for families, which is partially refundable. As a result, the nearly one-fifth of high school seniors who currently would receive no tax credit will receive a tax cut to make college affordable for the first time.

Refundable first-time home buyer credit. Last year, Congress provided taxpayers with a refundable tax credit that was equivalent to an interest-free loan equal to 10 percent of the purchase of a home (up to \$7,500) by first-time home buyers. The provision applies to homes purchased on or after April 9, 2008 and before July 1, 2009. Taxpayers receiving this tax credit are currently required to repay any amount received under this provision back to the government over 15 years in equal installments, or, if earlier, when the home is sold. The credit phases out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 in the case of a joint return). The bill eliminates the repayment obligation for taxpayers that purchase homes after January 1, 2009, increases the maximum value of the credit to \$8,000, and removes the prohibition on financing by mortgage revenue bonds, and extends the availability of the credit for homes purchased before December 1, 2009. The provision would retain the credit recapture if the house is sold within three years of purchase. This proposal is estimated to cost \$6.638 billion over 10 years.

DTV Conversion Coupons: \$650 million to continue the coupon program to enable American households to convert from analog television transmission to digital transmission.

Refundable credit for certain Federal and State pensioners. The bill would provide a one-time refundable tax credit of \$250 in 2009 to certain government retirees who are not eligible for Social Security benefits. This one-time credit is a reduction to any allowable Making Work Pay credit. This proposal is estimated to cost \$218 million over 10 years.

Extension of AMT relief for 2009. The bill would provide more than 26 million families with tax relief in 2009 by extending AMT relief for nonrefundable personal credits and increasing the AMT exemption amount to \$70,950 for joint filers and \$46,700 for individuals. This proposal is estimated to cost \$69.759 billion over 10 years.

The American Recovery and Reinvestment Act of 2009 would protect over 26 million working families across the nation from the Alternative Minimum Tax, representing thousands of dollars in additional income taxes.

According to the Congressional Research Service, 972,000 Pennsylvanians would be protected from the Alternative Minimum Tax in 2009.

Sales tax deduction for vehicle purchases. The bill provides all taxpayers with a deduction for State and local sales and excise taxes paid on the purchase of new cars, light truck, recreational vehicles, and motorcycles through 2009. This deduction is subject to a phase-out for taxpayers with adjusted gross income in excess of \$125,000 (\$250,000 in the case of a joint return). This proposal is estimated to cost \$1.684 billion over 10 years.

Temporary suspension of taxation of unemployment benefits. Under current law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately \$300 per month. The proposal temporarily suspends federal income tax on the first \$2,400 of unemployment benefits per recipient. Any unemployment benefits over \$2,400 will be subject to federal income tax. This proposal is in effect for taxable year 2009. This proposal is estimated to cost \$4.740 billion over 10 years.

Treasury Department low-income housing grants in lieu of tax credits: Under current law, taxpayers are allowed to claim a low-income housing tax credit for certain investments made in low-income housing. These tax credits help attract private capital to invest in the construction, acquisition, or rehabilitation of qualified low-income housing buildings. Current economic conditions have severely undermined the effectiveness of these tax credits. As a result, the bill would allow taxpayers to receive a grant from the Treasury Department in lieu of tax credits. Under this provision, States housing agencies would receive a grant equal to up to eighty-five percent (85%) of forty percent (40%) of the state's low-income housing tax credit allocation in lieu of the low-income housing tax credits they would have received. The sub awards are

subject to the same requirements (including rent, income, and use restrictions on such buildings) as the low-income housing tax credit allocations. The grant program would apply to each state's 2009 low-income housing tax credit allocation. This provision is estimated to cost \$69 million over 10 years.

SPENDING PROVISIONS TO SAVE AND CREATE JOBS, AND PROVIDE RELIEF TO INDIVIDUALS

Helping Workers Find Jobs. Provides funding to help workers find jobs, including \$3.95 billion for job training including formula grants for adult job training, dislocated worker job training, and youth services (including \$1.2 billion to create up to one million summer jobs for youth); \$500 million for Vocational Rehabilitation State Grants to help persons with disabilities prepare for gainful employment; \$500 million to match unemployed individuals to job openings through state employment agencies; and \$120 million to provide community service jobs to an additional 24,000 low-income older Americans.

Expanding Housing Assistance. Increases support for several critical housing programs, including providing \$2 billion for the Neighborhood Stabilization Program to help communities purchase and rehabilitate foreclosed, vacant properties and \$1.5 billion for the Emergency Shelter Grant program to provide short-term rental assistance and other aid for families during the economic crisis.

Providing Aid to Seniors, Disabled Veterans, and SSI Recipients. Provides a payment of \$250 to retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration, Railroad Retirement beneficiaries, and disabled veterans receiving benefits from the Department of Veterans Affairs.

Extending TAA. Extends Trade Adjustment Assistance benefits for at least 160,000 new workers over the next two years who lose their jobs because of increased imports or factory shifts to any foreign countries.

Extending and Improving Unemployment Benefits. Continues through December 2009 the extended unemployment benefits program (which provides up to 33 weeks of extended benefits) that is otherwise scheduled to begin to phase out at the end of March 2009 – thereby

helping an additional 3.5 million jobless workers. Increases unemployment benefits for 20 million jobless workers by \$25 per week, and encourages states to modernize their UI systems to keep up with the changing workforce with expanded coverage. Temporarily suspends the taxation of some unemployment benefits. Every dollar in unemployment benefits creates at least \$1.63 in economic activity.

Increasing Food Stamp Benefits. Provides \$19.9 billion for food stamps, increasing food stamp benefits by over 13% to help offset rising food costs for more than 31 million Americans, half of whom are children. Every dollar of food stamps creates at least \$1.73 in economic activity.

Increasing Other Food Assistance. Provides other food assistance, including \$100 million for Emergency Food and Shelter to help local community organizations provide food and shelter; \$100 million for formula grants to states for elderly nutrition services including Meals on Wheels; and \$150 million for the Emergency Food Assistance Program to purchase commodities for food banks to refill emptying shelves.

Premium Subsidies for COBRA Continuation Coverage for Unemployed Workers: Recession-related job loss threatens health coverage for many families. To help people maintain coverage, the bill provides a 65% subsidy for COBRA continuation premiums for up to 9 months for workers who have been involuntarily terminated, and for their families. This subsidy also applies to health care continuation coverage if required by states for small employers. With COBRA premiums averaging more than \$1000 a month, this assistance is vitally important. To qualify for premium assistance, a worker must be involuntarily terminated between September 1, 2008 and December 31, 2009. The subsidy would terminate upon offer of any new employer-sponsored health care coverage or Medicare eligibility. Workers who were involuntarily terminated between September 1, 2008 and enactment, but failed to initially elect COBRA because it was unaffordable, would be given an additional 60 days to elect COBRA and receive the subsidy. To ensure that this assistance is targeted at workers who are most in need, participants must attest that their same year income will not exceed \$125,000 for individuals and \$250,000 for families. The Joint Committee on Taxation estimates that this provision would help 7 million people maintain their health insurance by providing a vital bridge for workers who have been forced out of their jobs in this recession. This provision is estimated to cost \$24.7 billion.

Protecting Health Care Coverage for Millions through Medicaid

Protects health care coverage for millions of Americans during this recession, by providing an estimated \$87 billion over the next two years in additional federal matching funds to help states maintain their Medicaid programs in the face of massive state budget shortfalls.

Attacking the Housing Crisis

Increases support for several critical housing programs, including providing \$2 billion for the Neighborhood Stabilization Program to help communities purchase and rehabilitate foreclosed, vacant properties and \$1.5 billion for the Emergency Shelter Grant program to provide short-term rental assistance and other aid for families during the economic crisis.

Payments to Disabled and Elderly: Increasing Social Security Insurance (SSI) Payments. The bill would provide a one-time payment of \$250 to retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration, Railroad Retirement beneficiaries, and disabled veterans receiving benefits from the U.S. Department of Veterans Affairs. The one-time payment is a reduction to any allowable Making Work Pay credit. This provision is estimated to cost \$14.2 billion.

SEE BELOW FOR FURTHER ASSISTANCE RELATED TO SMALL BUSINESS TAX AND SPENDING PROVISIONS (in millions)

\$400 payroll tax credit for workers earning up to \$75,000; married couples filing jointly get \$800 for income up to \$150,000 \$116,199 Taxpayers can receive this benefit through a reduction in the amount of income tax that is withheld from their paychecks, or through claiming the credit on their 2010 and 2011 tax returns.

Increase in earned income tax credit for working families with more than three children: \$4,663

Contact Media IRS

1400 N. Providence Rd.

Media, PA 19063

(610) 891-6002

Applies to 2010 and 2011 tax returns.

Increased eligibility for refundable child tax credit, with all income over \$3000 qualifying: \$14,830

Contact Media IRS

1400 N. Providence Rd.

Media, PA 19063

(610) 891-6002

Applies to 2010 and 2011 tax returns.

Tax credit of up to \$2500 for tuition and college expenses: \$13,907

Contact Media IRS

1400 N. Providence Rd.

Media, PA 19063

(610) 891-6002

Applies to 2010 and 2011 tax returns.

Computers and computer technology will qualify for inclusion in tax-advantaged savings plans: \$6

Contact Media IRS

1400 N. Providence Rd.

Media, PA 19063

(610) 891-6002

Applies to 2010 and 2011 tax returns.

A tax credit for first-time homebuyers increases from \$7500 to \$8000, and will not have to be repaid: \$6,638

Applies to the purchase of a primary residence before December 1, 2009; Limited to \$75,000 in income (\$150,000 in the case of a joint return)

Taxpayers earning less than \$125,000 can deduct sales and excise taxes paid on new cars: \$1,684

Contact Media IRS

1400 N. Providence Rd.

Media, PA 19063

(610) 891-6002

Applies to 2010 and 2011 tax returns.

\$2400 of unemployment benefits will not be subject to federal income tax: \$4,740

Contact Media IRS

1400 N. Providence Rd.

Media, PA 19063

(610) 891-6002

Applies to 2010 and 2011 tax returns.

Middle-income taxpayers get an exemption from the alternative minimum tax of \$46,700 for an individual and \$70,950 for a married couple \$69,759

Contact Media IRS

1400 N. Providence Rd.

Media, PA 19063

(610) 891-6002

Applies to 2010 and 2011 tax returns.

One-time payment of \$250 for retirees, disabled people, SSI recipients, railroad retirees and disabled veterans: \$14,225

No Action is Required

Eligibility: \$250 payment to each individual who is eligible for disability or SSI payments during the 4-month period prior to date of the enactment of this Act.

When you will receive: The Secretary of the Treasury shall commence disbursing payments under this section at the earliest practicable date but in no event later than 120 days after the

date of enactment of this Act. <http://ssa.gov/payment/>

Two-year extension of program providing income support and training benefits for workers who lose their jobs because of outsourcing overseas: \$1,600

Unemployed Compensation Service Center

1-888-313-7284

www.paworkforce.state.pa.us/

Extension of jobless benefits for up to 33 weeks: \$26,960

Unemployed Compensation Service Center

1-888-313-7284

www.paworkforce.state.pa.us/

Increase in weekly unemployment benefits by \$25: \$8,800

Unemployed Compensation Service Center

1-888-313-7284

www.paworkforce.state.pa.us/

Grants for states modernizing unemployment compensation coverage among low-wage, part-time and other workers: \$2,975

Unemployed Compensation Service Center

1-888-313-7284

www.paworkforce.state.pa.us/

Waiver on interest payments and accrual in interest on loans held by state unemployment trust funds: \$1,100

Contact Media IRS

1400 N. Providence Rd.

Media, PA 19063

(610) 891-6002

Applies to 2010 and 2011 tax returns.

Extension of unemployment compensation by 13 weeks for railroad workers: \$21

Unemployed Compensation Service Center

1-888-313-7284

www.paworkforce.state.pa.us/

Aid to states for temporary assistance to needy families payments (TANF): \$2,418

Department of Public Welfare

Delaware County Assistance Office Headquarters

701 Crosby Street Suite A

Chester, PA 19013-6099

Phone: 610-447-5500

<https://www.humanservices.state.pa.us/compass/CMHOM.aspx>

Extra aid to states with high population group or increased poverty for TANF payments: \$319

Department of Public Welfare

Delaware County Assistance Office Headquarters

701 Crosby Street Suite A

Chester, PA 19013-6099

Phone: 610-447-5500

<https://www.humanservices.state.pa.us/compass/CMHOM.aspx>

COBRA: 65% subsidy for laid-off workers to continue paying premiums for former employer's health plan for nine months: \$24,749

Pennsylvania Department of Labor and Industries

1-888-313-7284

www.dli.state.pa.us